

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

Market Conduct Examination

of

Jackson National Life Insurance Company

5901 Executive Drive

Lansing, Michigan 48911

as of

December 31, 1996

Seattle Washington

The Honorable Deborah Senn
Washington Insurance Commissioner
Olympia, Washington 98504

Dear Commissioner Senn:

Pursuant to your instructions and in compliance with the statutory requirements of RCW 48.03.010, I have examined the corporate affairs and conduct of:

Jackson National Life Insurance Company

5901 Executive Drive

Lansing, Michigan 48911

hereafter referred to as "the Company", "Jackson National", or "JNL". This report is respectfully submitted for your review and action.

Scope of Examination

The examination was performed in compliance with the provisions of Washington insurance laws and regulations. The market conduct review followed the rules and procedures promulgated by the Office of the Insurance Commissioner (OIC) and the National Association of Insurance Commissioners (NAIC). The examination covered the period of January 1, 1992 through December 31, 1996. The examination was a target exam focused on the following areas of operations: Marketing and Sales Practices, Agent Activity, Complaints and Replacement Activity.

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EXAMINATION REPORT CERTIFICATION

This examination was conducted in accordance with the Office of the Insurance Commissioner and National Association of Insurance Commissioners market conduct examination procedures. This examination was performed by Leslie Krier and Sally Carpenter, who participated in the preparation of this report.

I certify that the foregoing is the report of the examination, that I have reviewed this report in conjunction with pertinent examination work papers, that this report meets the provisions for such reports prescribed by the Office of the Insurance Commissioner, and that this report is true and correct to the best of my knowledge and belief.

Pamela Martin

Chief Market Conduct Examiner

Office of the Insurance Commissioner

State of Washington

Jackson National Life Insurance Company

Market Conduct Exam as of December 30, 1996

Company Background

Jackson National Life Insurance Company (JNL) is domiciled at 5901 Executive Drive, Lansing, Michigan 48911. It was incorporated June 19, 1961. JNL was acquired by Prudential Corporation plc of London, England (no affiliation with the Prudential of America Group) in 1986. JNL contributed 47% of Prudential's profits from continuing operations in 1996 and is their largest holding outside the United Kingdom. JNL was admitted to do business in the State of Washington January 23, 1976.

The Company is currently licensed to do business in 49 states and the District of Columbia. First Jackson National Life Insurance Company, a wholly owned subsidiary of JNL, has been recently licensed in New York and is expected to begin operations in 1997. There is one other subsidiary, Jackson National Life Distributors, Inc.

Subsequent Event: On September 26 1997, First Jackson National Life Insurance Company changed its name to Jackson National Life Insurance Company of New York.

Products in the JNL portfolio include interest sensitive whole life, term insurance, and fixed interest annuities. In 1995 JNL entered into the universal life, variable annuity and stable investment (Group Investment Contract, {GIC}) markets.

Operations have been conducted primarily on a brokerage basis since 1974. In addition to marketing their products through independent insurance brokers, the Company has sought to diversify by selling products directly through banks and other financial institutions. Sixteen percent of sales were produced through broker-dealers.

Significant Events:

- 1982 JNL forms Jackson National Life of Texas
- 1986 Prudential Corporation acquires Jackson National Life Insurance Company
- 1987 Prudential transferred 100% of JNL to its wholly owned subsidiary Brooke Life Insurance Company of Lansing, Michigan.
- 1989 Jackson National Life of Texas is absorbed into JNL
- 1992 Jackson National Financial Services is incorporated as a broker-dealer to market registered products.
- 1992 JNL forms Jackson National Life of Michigan
- 1995 Jackson National Life of Michigan is absorbed into JNL
- 1996 JNL forms First Jackson National Life Insurance Company

Beginning in 1994, JNL initiated a program to increase operating efficiencies and promote growth through diversification of products, enhanced customer service and expanded technological support by moving most of its administrative and support functions from regional offices to the Home Office.

The 18 regional offices are being refocused to function solely as marketing support for the 75,000 independent producers currently appointed with JNL.

The current members of the Board of Directors of Jackson National Life are:

Sir Peter Davis, Group Chief Executive, Prudential Corporation plc

Robert P. Saltzman, President & Chief Executive Officer, Jackson National Life

Andrew Hopping, Senior Vice President of Finance

The Company organization chart is shown in Appendix 1.

Advertising

The JNL advertising file contained 144 pieces of printed advertising used in Washington State during the exam period for JNL's life and annuity products (UL1, Qflex, Bonus Max, Lifeline Ultimate, Prime 10/15/20 R&C to Age 95 Term). These were reviewed for compliance with WAC 284-23-010 through WAC 284-23-130. The Jackson National Life Web site was also reviewed.

All printed materials were distinctly numbered for ease of identification. Three pieces of advertising (XADV 1132 Rev 8/ 92, XADV694 Rev 7/93, XADV705 Rev 7/94) did not include the policy form number of the product being advertised as required by WAC 284-23-060.

The JNL Web site has the same material as is available in printed form. This information is available to the general public. Agents must register with the Company to access a second level of the Web site for sales support information. In order to register for this level the agent must be licensed with the state and appointed with JNL. This information is not available to the general public.

The Company publishes a newsletter to agents called Brokerage Briefs. This newsletter is the primary tool used by the Company to convey current information such as interest rates, sales tips, and other information to agents and brokers. Information on new or changing state laws or regulations is also conveyed to agents via the Brokerage Briefs.

A review of Company materials indicates that during the examination period, the Company advised agents how to use preferred policy loans to defer the cost of vanishing premium policies. This material was found in Brokerage Brief newsletters dated No. 1-1992, No. 2-1995, No. 5-1995 and No. 4-1996. Advertising brochure XADV 682, revisions from 1992 through 1995 also indicate that funds from the policy may be used to vanish premiums when the cash in the policy grows to certain levels. The same information is stated in the agent reference guide for the ULTIMATE product. The Company states that this material is made available to agents only and is not intended for use by the general public.

Agent Contracts

JNL currently has four types of agent relationships, and a corresponding type of agent contract for each. These are: Individual Contracts, General Agent Contracts, Registered Representative Contracts and Institutional Marketing Group Contracts. The contracts were reviewed as part of the examination, and were found to contain standard agent contract language outlining the agent's scope of authority to act on behalf of the Company. The contracts also outline the commission schedule for business written with JNL. It is of note that the contract does allow for first year commission adjustments if the new policy covers the same life as a prior policy that terminates within 12 months before or after the new policy is issued.

Section (6) of the contract form covers acceptance of applications. This section states that the Company has the right to reject, cancel or postpone any application for insurance without specifying the reason for that action, and when this happens, the agents must return any funds they are holding for that applicant. The wording of this section implies that the Company may, without any type of notification, deny coverage to any applicant. Actual Company practice is to send a letter to the applicant, with a copy to the agent, as required by RCW 48.30.320.

There are four variations of the contract used for the Institutional Marketing Groups. All four contracts use the same form number. The contracts need separate numbers so that the Company can track the groups of agent under contract and also to ensure that only the correct version of any form is in use.

Agent Activity

JNL's agent appointment procedures were reviewed as part of this examination. Prospective agents, agencies or brokers initiate appointment procedures by completing a data sheet and the appropriate contract. These are returned to the Company with a copy of the Washington license. The appointment forms are then submitted to the Insurance Commissioner's office with a check for the appointment fee.

We reviewed appointment dates for agents listed on policies from the replacement and policy databases. Agents' licenses with the state of Washington and their appointment date with JNL, or affiliations with agencies or brokers appointed with JNL, were compared to the date policy applications were signed. The purpose was to ensure JNL procedures did not allow an agent to solicit business for JNL prior to that agent's appointment with JNL. Our review found the following:

- One policy application was received with the licensing paperwork attached according to a memo from the agent in the policy file.
- Three policy applications were signed prior to the date the agents were licensed in Washington.
- Five policy applications were signed prior to the agent or agency appointment with JNL.

Appendix 3 contains a list of agents not licensed with the state and/or not appointed with JNL at the time the application was taken.

We have concerns about agents soliciting business from border cities such as Portland, Oregon without being properly licensed in Washington. Brokerage Brief Number 2, 1995 page 8 provides a clarification on accepting applications from people visiting "another state." The procedure says that JNL will accept applications. However it reminds agents that it is illegal to encourage customers to cross state lines to purchase coverage that is unavailable in their state of residence.

RCW 48.17.060(1) and (2) require that an agent be licensed and appointed in the state where he solicits business. It appears that the Company allows an agent to write business in a state where the agent is licensed and appointed with JNL, even if they actually solicit business in a state where the agent is not licensed or appointed.

As part of the examination process, we requested a copy of agent disciplinary action procedures and any paperwork associated with agent disciplinary actions. The Company does have a procedure for investigating complaints against agents and brokers, and rules pertaining to termination procedures. The procedures were effective as of January 1,

1996. Prior to that date, there were no formal procedures for investigating agent and broker complaints and agent termination due to complaints.

The Customer Relations Department is responsible for investigating all agent complaints. If further action is required, they will review the complaint with the Legal Department and direct appropriate action to be taken. Although there have not been any actions required in Washington, the Company was able to provide samples of disciplinary actions taken against agents in other states.

Complaints

The complaint handling procedures, the Company complaint log, and a sample of Washington consumer complaints were examined. One hundred sixty-seven complaints from Washington policy holders appeared on the complaint log for the exam period 3/92-12/96. From this log sixteen complaints were selected and examined for compliance with Washington State regulations concerning timeliness of response and consistency of actions taken. In addition, we reviewed files to ensure that they were handled in compliance with JNL's internal complaint procedure.

According to the Company's complaint handling procedures the Customer Relations Department is responsible for recording the complaints on the complaint log, researching the complaint for response, timeliness of response and quality of response. All complaints received by the Company are directed to the Customer Relations Manager. The Customer Relations Department is responsible for publishing a monthly narrative and a numerical summary of complaints handled during that month and routing it to senior management throughout the Company.

The Complaint log contained the name of the complainant, the policy owner, insured and agent names, policy number, Customer Relations Representative assigned to handle the complaint, work type (complaint source), Department of Insurance information, if applicable, a summary of the complaint and a closure message.

Number of Complaints

Category of Complaints

5	Surrender Charges on annuities
4	Agent misrepresentation
2	Churning, conversion, replacement
2	Servicing of policies
2	Report of lost or stolen checks.
1	Agent inquiry from OIC

See Appendix 4 for the list of complaint files.

The complaints appeared to be logged in a timely manner. They are given priority handling status. Log detail was entered by reason or subject of the complaint such as surrender charges, delays, service, miscellaneous, alleged agent misrepresentation and billing. For complaints received prior to January 1996, detailed resolutions were not included in the log. When resolutions were noted in the log to close the file, they did not always reflect a resolved complaint, but an offer made or a response sent to a complainant. If the complainant did not accept the explanation or offer, a new complaint was opened, skewing the complaint resolution time statistics. Since January 1996, procedures call for the complaint to be reopened and resolved under the same complaint number.

Of the sixteen files reviewed, eight files reflected complaints that fell into both the surrender charges and agent misrepresentation categories.

Four of sixteen files included inquiries from the Office of the Insurance Commissioner. The response time on one file was 16 days. This did not meet the 15 business days required in WAC 284-30-360 (2). The other three had response times from one day to 12 days.

Replacements

Both internal and external replacement processing is done by the Underwriting and New Business Department. When applications are received, the processor checks the application for replacement questions that are answered indicating that an external replacement is involved. If the required replacement forms are received with the application, this information is entered on the Company's policy administration system called the Equity Plus system. When replacements are involved, this system automatically prints the required notification letter to the existing company, and prints a copy of the policy summary to include with the letter. The letter and summary are matched to the file, and a copy of the replacement notification form is attached. The packet is then mailed to the existing company. For internal replacements, the internal replacement information is noted in Equity Plus, but notification letters are not generated. Replacement forms on internal replacements are filed with other policy records.

The Life Service Representative (LSR) is responsible for checking the forms for complete information, signatures and unanswered questions. If information is missing, they contact the agent to complete the form.

JNL does not maintain a formal replacement register. However, all the required information is stored in Equity Plus, and is available upon demand. At this time, there is

not a formal review of agent replacement activity. The Company is moving to a new computer system in late 1997, and has included requirements for monitoring this activity. In the past, they have relied on the underwriter to catch unusual replacement activity. This has been difficult, as they have not had assigned regions for underwriters. The Underwriting & New Business area is currently reorganizing into regional teams, which will allow more individual underwriter/agent communication and allow the underwriters more exposure to each agent's activity.

JNL records indicate that there were 2,848 policies issued in Washington as the result of internal or external replacement during the exam period. The Company does not keep records by type of replacement. This represents 17.4% of the total business written in Washington during the exam period. A random sample of 42 policies was selected from the 2,848 replacement policies. This number was selected based on a confidence level of 90%. Of the sample, 5 policies (12%) were internal replacement cases and the balance (37) were external replacements. Of the 37 external cases, the average time for replacement notification to the existing company was 1.76 days. This is within the 3-day requirement established by WAC 284-23-455(2)(b). The Company application and change forms were reviewed to ensure that the information required by WAC 284-23-450(2) and WAC 284-23-455(1) and (2) was obtained.

The replacement listing provided by the Company lists 715 agents as submitting replacement applications during the exam period. Fifty-one of these agents submitted 10 or more replacement applications during the examination period. This group of agents submitted 1,009 applications, which represents 35% of the total population of replacement applications. This same group represents 7% of the agents who wrote replacement business. A separate listing of agent numbers and the total number of their replacements during the exam period is provided in Appendix 6.

In reviewing the actual policy files, there were several areas of note.

These are outlined below.

1.	No date stamps on application or replacement form	3
2.	Notification letter information incomplete	3
3.	Greater than 3 days to notify existing company	7
4.	Replacement form used did not meet requirements of WAC 284-23-485	4
5.	Replacement form missing agent signature	2
6.	Incomplete information on insured application question	2
7.	Incomplete information on agent application question	1
8.	Replacement form incomplete	5
9.	Form not sent to existing company	1
10.	No replacement form on file, however a notification letter was sent	1

Appendix 5A lists each policy associated with the above categories.

Subsequent Event: In early 1997, the Company established a Regulatory Practices Unit within the Legal Department that is responsible for communicating regulatory requirements to Company personnel and agents as well as periodic auditing of the departmental operations to ensure compliance with those requirements.

In force Policy Review

A review of in force policy records was done as part of the examination. There were two primary objectives to this section of the examination:

- Review records to determine the extent of replacement activity, both internal and external, associated with a policy issued during the examination period.
- Review records to determine the extent of existing policies financing new policies issued during the examination period. This financing could be accomplished through policy loans on existing policies, surrender of existing policies, exercising other non-forfeiture options on existing policies or partial surrenders of existing policies.

To accomplish this review, the Company provided ACCESS database files broken down by the following categories:

- Policies issued during the exam period with existing JNL policies at the time of issue.
- Policies issued during the exam period with existing policies that have loans against them.
- Policies issued during the examination period that had existing policies that were terminated during the examination period.
- Policies issued during the examination period that had existing policies with partial surrenders during the exam period.
- Policies issued during the examination period that had existing policies that exercised non-forfeiture options during the examination period.
- Loan balances on policies issued during the examination period.

During the review of the records provided by the Company, it was noted that some policies appear more than one time in a given category. This occurred when there were multiple existing policies matched to a policy issued during the exam period. Therefore, the numbers are slightly inflated. This occurrence is not significant. We therefore used the total number of policies identified in each category as our population in determining confidence levels and standard deviations for random sample selection.

In some cases, policies fell into more than one category. If the random sample for a specific category included policy records from another category, the policy records were used, as the information needed was different for each category.

The total number of policies issued in Washington during the exam period was 16,371.

New Policies Issued During the Exam Period with Existing Policies

The Company provided a database that listed those policies issued during the exam period to policyholders that had an existing policy(s) at the time the new policy was issued. There were 96 policies meeting this criteria. The list provided by JNL identified relationships between policies by matching social security number. Thirty (30) policies were selected on a random basis for review during the examination.

- One application had a replacement letter sent outside the required time frame: (#0020142010)
- One application indicated that it was replacing a policy from another company. The agent also checked the box indicating that replacement was involved. No replacement letter sent to the company being replaced. (#00256420)

See Appendix 7 for a list of agents with multiple replacements.

See Appendix 8 for policy detail in this category.

New Policies with Policy Loans on Existing Policies

In a separate database, the Company provided a list of policyholders who had a new policy issued during the examination period and an older policy with a loan against it. Of the 195 policies in this category, 12 were pulled for review. The 195 policies in this category represent 1.2% of the total policies issued in Washington during the examination period.

- Automatic Premium Loans (APL) were taken to pay the premium on the old policy in 3 instances.

- The remaining policies took loans in cash. Two loans were timed when the new policy was issued, and were in amounts close to the premium amounts on the new policies. In both cases, the loan checks were issued to the insured, and there was no indication as to the purpose of the loans.

As of the examination date, five of the new policies were still active, and four of the old policies are still active. There were only three instances where both the old and the new policies were still in force. Of the old policies, six have terminated or were surrendered, and two policies exercised non-forfeiture options to reduced paid-up insurance. Both of these have expired.

There were two cases where the existing and the new policies were terminated at the same time. There is no paperwork to indicate that external replacement was involved in any of these surrenders. See Appendix 9 for policy detail.

New Policies with Surrender of Existing Policies

There were 883 policies which had existing policies that were surrendered during the exam period. This represents 5.4% of the total policies issued in the State of Washington during the examination period. To maintain a confidence level of 90%, we selected 64 policies to review. The selection criteria of the database asked for all records on each entity by social security number. This allowed the system to match a policy which contained different insureds and owners, such as in business cases. Because of this, four records selected were not included in the sample except to review the new policy records for accuracy. These policies were excluded in the sample, but are noted for totals. A review of the old policy files shows that of the 64 files reviewed:

- Thirteen were internal replacements to new JNL policies.
- Three were replaced by outside companies.
- Nine were converted from term policies with no cash value to new JNL policies.
- Twenty-four were terminated for other reasons.
- Four policies had records that did not match, new to old policies as noted above.
- The remaining policies were terminated, but did not have an apparent connection to the policy issued during the examination period.

Of the 13 internal replacement files, all were some type of policy change. The Company treats any type of policy change or a reissued policy as an internal replacement. This could include the addition of coverage or a change from smoker to nonsmoker rates. However, when the 13 internal replacement files are combined with the nine conversion

files, the number of internal policy changes is significant. Thirty five percent (35%) of the 64 policies reviewed involved some type of internal policy change. When asked if the Company monitors this type of activity by agent, the Company indicated that they do not.

In addition to the above, there were three policies that show a history of replacement activity into and out of the company. A list of these policies is included in Appendix 8. While this is not a significant number from this sample and we did not find a pattern of this activity with any one agent, this activity is another indication that the Company does not monitor agent activity in a comprehensive manner.

In this sample, there were five instances where the old policy and the new policy terminated within a month of each other. Some had replacement paperwork on one of the policies, but none had replacement paperwork on both policies.

If policies terminate within such a short time of each other, it is an indicator that both policies are being replaced by new insurance. Even if the coverage being replaced is term insurance with no cash value, the replacing agent is required by WAC 284-23-440 to complete the appropriate paperwork and submit it to the new company. JNL does not have an active conservation program. Therefore, they do not monitor this type of agent activity.

A list of policies for this category can be found in Appendix 9.

New Policies with Partial Surrenders, Non-Forfeiture Options

or New Loans on Existing Policies

We reviewed six policies from the samples which were identified as having exercised non-forfeiture options during the examination period. There were examples of policies exercising non-forfeiture to a reduced paid-up insurance (RPU) option, automatic premium loan, and extended term (ETI). From review of files in those areas, it appears that this type of processing is used appropriately. There was no evidence that exercising the RPU and ETI was tied to any policy value movement. Three policies examined had been identified as having exercised non-forfeiture options, when in fact they had not. Twenty policies identified as have existing loans issued during the exam period were examined. There was no evidence that these loans were used to finance new policies.

SUMMARY OF EXAMINATION FINDINGS

In summarizing the findings of this market conduct examination of Jackson National Life, the following points raise concerns:

1. Advertising materials examined advise agents how to help their clients vanish premiums using existing policy values.
2. During the examination period, we found that 17.4% of the new business issued by JNL involved replacement of an existing policy. One agent submitted 161 replacement applications during the examination period. For this same time period, the Company did not consistently monitor replacements by agent. They were not aware of the volume of replacement activity or the number of replacements submitted by specific agents. No disciplinary action was taken against any agent for replacement activity.
3. We found that a small number of examined policy records indicated that certain agents were moving business in and out of the company on a regular basis.
4. In our sample of policies issued during the examination period when the existing policy was surrendered, we found that 35% of the new policies were the result of a policy change. This type of activity is not monitored by the Company. While policy changes could be in the best interest of the insured, the Company is not able to make this determination as they do not have a monitoring program in place.

It appears that during the examination period, the Company did not actively monitor the activities of the agents writing business for them. Even though this Company uses an independent agent force, the Company is responsible for the agent compliance with company procedures. JNL did not have methods in place to monitor the sales practices of agents, to monitor the complaints against agents or to monitor the type of business the agents were bringing into the Company.

It should be noted that beginning in 1996, the Company started several programs to rectify this need: Formal procedures for handling complaints and broker investigations.

- Installation of a complaint data base.
- Formal agent disciplinary procedures.
- Agent replacement activity monitoring methods.
- Formation of a Market Conduct Unit in the Legal Department.
- The formation of the Regulatory Practices Unit to communicate with all parties about regulatory requirements and to audit departments to ensure compliance.

INSTRUCTIONS

1. Three advertising brochures (XADV 1132, XADV 694, XADV 705) did not clearly identify the policies they supported. WAC 284-23-060(1) requires that the specific policy be identified by form number or other appropriate description in advertising. The Company is instructed to comply by adding the policy form number or other policy description in all future advertising. The Company must add the appropriate information to the above forms in the next printing of these documents. (page 7)
2. The company is instructed to ensure that all agents and brokers are properly licensed and appointed prior to soliciting business on behalf of JNL as required by RCW 48.17.060(1)(2), RCW 48.17.160, and WAC 284-17-420(1). (page 8)
3. WAC 284-30-260 (2) requires response to an OIC inquiry within 15 business days (21 calendar days) after receiving an OIC inquiry. The Company is directed to establish a procedure to ensure compliance. (page 9)
4. The Company is instructed to comply with all sections of WAC 284-23-400, et. al, Washington Replacement Regulations. Although the Company procedure states the required actions, these steps are not always followed. It is the Company's responsibility to ensure that agents comply with replacement regulations, and to obtain any missing information or forms such as the replacement form from the agent. (page 10)

RECOMMENDATIONS

1. It is recommended that each style of the agent/broker contract identified as X2431 be given a unique form number. This will ensure the contract is easily identified for correct and consistent use. (page 7)
2. RCW 48.30.320 requires the actual reason for canceling, denying or refusing to renew insurance to be disclosed. It is recommended that the company change the language of its agent/broker contracts to reflect actual company practice and the action required by law. (page 7)

3. It is recommended that the Company train employees as to the requirements of WAC 284-23-400, et. al. , Washington Replacement Regulations. The Company should also require that the employees regularly monitor replacement forms received for accuracy and completeness, and ensure the accuracy of notification. (page 10)

APPENDIX ONE

ORGANIZATION CHART

Prudential Corporation, plc
London, England

Brooke Life Insurance Company
Lansing, Michigan

Jackson National Life Insurance
Company Lansing, Michigan

Jackson National Financial Services,
Inc. Lansing, Michigan

First Jackson National Life Insurance
Company

APPENDIX 2

AGENT CONTRACTS

Form Number	Form Name	Comments
X0900 2 Rev. 7/94	JNL agreement broker	Individual agent/broker agreement page 2 #(7) contains language in violation of RCW

		48.30.320
X1546 2 Rev9/94	JNL agreement corporation, partnership, or other business entity	Broker /Dealer agreement page 2 #(7) contains language in violation of RCW 48.30.320
X2565 11/95	JNL/JNFSI Selling Agreement	Broker/Dealer agreement
X2431 12/94	General Agency Agreement between JNL and General Agent	DGA Agreement 5/96
X2431 12/94	Master General Agent's Agreement between JNL and ____ (MGA)	MGA Agreement 5/96
X2431 12/94	General Agency Agreement between JNL and ____ (General Agent)	Sub-GA Agreement 5/96
X2431 12/94	Selling Agreement Among JNL, JNFSI, and ____ General Agent	Broker/Dealer Agreement 6/96
X2507 7/95	Individual/Corporate Licensing Data Sheet	Application for appointment

APPENDIX 3

AGENT APPOINTMENT REVIEW AND PROCEDURE

Agent Number	Policy Number	Issue Date	WA Appt. Date	Comments
0623395	0023690620	9/5/94		No WA license. Memo from agent indicating license

				paperwork attached to application.
30187	1912800 19192810	1/5/92 1/5/92	1/9/92	Applications signed prior to appointment date. Broker's Mutual Insurance WA license canceled 1/1/86
763370	19803430	6/3/92	JNL appt. canceled 4/22/92	No JNL appt. for Century Insurance
0032271	0022789410	2/24/94		No WA license
764213	22774400	11/15/93	JNL appt. 11/23/93-1/23/99	Policy written prior to JNL appointment
511081	21837360	3/27/93	JNL appt. 3/29/93-1/23/99	Policy written prior to JNL appointment
762731	19453240	3/9/92	JNL Appt. 1/30/95	Policy written prior to appointment date
0535174	0019801400	6/8/92		No WA license.
0535274	0025011090	5/23/94		No WA license.

APPENDIX 4

COMPLAINTS

POLICY NUMBER	DATE RECEIVED	COMMENTS
0004325760	3/6/96	Forged check. Should have been resolved when affidavit received from

		policyholder
0036413020	3/18/96	Complaint on Surrender charges
0030650020	3/19/96	Complaint on surrender charges
0031133560	4/22/96	Complaint regarding churning of policies
0019803710	6/11/96	Complaint call regarding forged names on surrender checks
009783260	10/21/96	Policy servicing - Premium applied to wrong policy
003825050	7/19/96	Complaint regarding surrender charges. Compromise offered, no indication of resolution.
0031880320	7/2/96	Agent writing regarding misrepresentation by another agent. Policyholder indicated he had no complaint.
0010450750	8/2/95	Agent misrepresentation re paid up coverage.
0018519210	10/3/95	Agent misrepresentation re premium levels. Compromise offered, no evidence of response
0022663250	12/28/94	OIC inquiry regarding conversion of policy. Response to OIC did not meet 15 day response

		time frame.
0031469680	6/7/95	Complaint regarding agent misrepresentation and surrender charges
002662960	2/9/94	Complaint regarding agent and conversion of policy
0002244360	3/12/93	Policy servicing
0005228180	2/18/92	No complaint. Letter from OIC regarding agent.
0031044320	12/29/92	Question on surrender charges. OIC Inquiry

APPENDIX 5

REPLACEMENT FILE REVIEW

EXAM FINDING	POLICY NUMBER
More than 3 days to send notification letter	19466200 7 days
	19790630 4 days
	22174320 5 days
	22787410 7 days
	25010070 4 days
	25011920 31 days
	25623750 4 days

Replacement form incomplete	22174320
	22778780
	23377880
	23387500
	25618420
Replacement form did not meet requirements of WAC 284-23-485	18104290 - used VA forms
	18104300 - used VA forms
	19453200 - used OR forms
	22482520 - MA resident, needs MA form
No date stamp on application or replacement form	21838550
	22174320
	25618580
Notification letter incomplete	23377800
	23387500
	25623750
No agent signature on replacement form	23377440
	23377800
Insured application question incomplete	19184570
	22787410

Agent application question not answered	19790110
Forms not sent with notification letter	23387550
No replacement form on file, but appears it was sent with notification letter	21838550

APPENDIX 6

REPLACEMENT STATISTICS

Total Replacements in Excess of 40					
Agent Number	Number of Replacements	Agent Number	Number of Replacements	Agent Number	Number of Replacements
30471	45	30093	161	96282	70
30 - 39 Total Replacements					
30863	32	30152	34	761148	39
20 - 29 Total Replacements					
31822	20	330187	21	34285	20
31774	21	762917	21	762755	23
16 -20 Total Replacements					
763387	16	32742	16	761778	16
31865	16	761299	17	32496	17
761244	17	764303	18	31827	19
10 - 15 Total Replacements					

764186	10	30750	10	32658	10
761892	10	764280	10	30757	10
761362	10	761343	10	76402	11
762631	11	30092	11	30470	11
30896	11	763723	12	32563	12
31992	12	263685	13	30544	13
30629	13	763960	13	763269	14
31930	14	32873	15	763039	15
32225	15				

APPENDIX 7

Policies With Multiple Replacement Activity

Old Policy #	New Policy #	Activity
17292090	20142010	1/91 old policy replaced Prudential policy. 9/92 old policy replaced by USLICO. ???? new policy issued to replace USLICO policy
17750300	25011090	3/91 old policy replaced InterAmerican 4/93 old policy replaced by Kemper 5/95 new policy replaced Kemper 11/96 new policy replaced by Lincoln Life
14111180	25626420	6/91 old policy replaced by Equitable 12/95 new policy replaced Equitable

14847240	23682950	9/93 old policy replaced by Southland Life 12/94 new policy replaced Southland Life
11163840	20145270	1/88 old policy replaced Penn Mutual policy 11/91 old policy replaced by NW National 9/92 new policy replaced Minnesota Mutual policy 7/95 new policy replaced by First Colony
05535650	20415140	10/91 old policy replaced by Kemper 10/92 new policy replaced Kemper

APPENDIX 8

Policies terminated with cash surrender	New policy #, inception date, status		
0015620870	0021845530	2/5/93	Active
Policies lapsed with external replacement	New policy #, status		
006400240 12/87	0019197650	Terminated, lost to external replacement 5/94	
001707340 12/91	0019199400	Active	
0007671070 3/92	0019610300	Active	
0007855190 6/90	0019806720	Terminated - replaced Sovereign Life, then replaced by another company	
Policies with Evidence of Movement In and Out of JNL			

Oldest Policy	Newest Policy
0014111180 - Terminated 6/91, replaced by another company	00250289970 - Active, replaced an Equitable of Iowa policy
017750300 - Replaced an InterAmerican policy. Terminated 4/93, replaced by another company	02511090 - Terminated. This policy replaced Kemper policy 5/95. Replaced by another company 11/96.
0017292090 - Replaced a Prudential Company 1/91. Replaced by an outside company.	02142010 - Active. This policy replaced a United Services policy.

Policies Resulting From Conversion		
Old Policy		New Policy
0012630730		0020133210 - Terminated 3/93
0014828690		0021992910 - Active
0009865190	0007681090	0022662640 - Active
0013429180		0022667210 - Active
001675330		0022789410 - Active
001259580		0023690620 - Terminated
0011722550		0025248720 - Active

APPENDIX 9

Policies Exercising Automatic Premium Loans (APL)

5773370

12082820

11029780

Policies Taking Loan for Cash

12082820	11480370	15359720	6333700
12754080	13715330	11224680	13460230

Policies Taking Loans When New Policy Issued

Old Policy #	Loan Date	New Policy #	Issue Date
12754080	1/93	20761470	1/16/93
13715330	8/10/93	22470040	8/16/93

Policies Still Active

Old Policy #	New Policy #	Old Policy #	New Policy #
11480370	20138820	15359720	terminated
terminated	20768000	12754080	20761470
11224680	2520622U	expired	2520239U

Policies Terminated

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Old Policy #	New Policy #	Old Policy #	New Policy #
6578980	22180590	5773370	19198630
12082820 *	19463200	11029780 **	22179390 **
active	23688470	14162510	active
6333700	22471480	13715330 **	22470040 **
13460230 *	active		

* expired as reduced paid up insurance

** surrendered at same time

APPENDIX 10

Policies Surrendered upon Conversion to New JNL Policy

14407810	10213690	10213530	10213690
18229460	12826300	11936170	07855220
17497230			

Policies Surrendered /Internal Replacement to New JNL Policy

06619220	13346690	12748100	14601730
15622190	11280820	17231310	05225710
15575820	12641310	16661320	11619060
11722550			

Policies Surrendered for External Replacement (New)

18913170	20145270	19180130	20750400
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Policies Surrendered for External Replacement (Old)

05535650	14847240	13682190	15660180
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